

Responsible Investment 2023

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In brief: what we achieved in 2023

Exercising shareholder rights	
Engagement	Exercise of voting rights
<ul style="list-style-type: none"> – Conducted dialogue with 371 companies on ESG topics, including 199 on climate issues. – Successfully concluded nine dialogue cases. 	<ul style="list-style-type: none"> – Exercised voting rights at all 120 Swiss companies. – Voted on all agenda items at 318 companies abroad.

Integrating into the securities portfolio		
<ul style="list-style-type: none"> – Government bonds: began implementing the bespoke ESG benchmarks for investments in emerging market government bonds. – Private market investments: evaluated progressive implementation of responsible investment in the private market investments for the first time, working with our external asset managers. – Prioritised four UN Sustainable Development Goals that are highly relevant to PUBLICA's portfolio (7, 8, 13, 16). Carried out first survey. 		
Negative criteria	Strategic risk analysis	Positive criteria
<ul style="list-style-type: none"> – Excluded 218 companies. 	<ul style="list-style-type: none"> – Launched biodiversity knowledge base and defined next steps. 	<ul style="list-style-type: none"> – Invested CHF 755 mn in green bonds. – Funded CHF 448 mn in green facilities and CHF 330 mn in social facilities in the private market investments.

Integrating into direct real estate investments	
<ul style="list-style-type: none"> – Applied for Cantonal Energy Certificates for Buildings (CECBs) for the properties. Currently, 35 CECBs are on file. – Continued operational optimisation of existing property portfolio project, to implement straightforward optimisations swiftly. Medium- to long-term actions form part of maintenance planning. – Took part in the REIDA CO₂ Report and Benchmark 2023: compared with the REIDA benchmark (22 investors with a total of 60 portfolios and a market value of CHF 173.5 bn), PUBLICA's portfolio is 13% more energy-efficient and produces 16% less greenhouse gases. 	
Newbuild projects (examples)	Refurbishment projects
<p>"Chêne Park" in Renens:</p> <ul style="list-style-type: none"> – Three buildings up and running in August 2023, following the first back in 2022. – Ideally located between two major railway stations with connections to Lausanne. – Powered by its own solar panels, district heating, e-charging stations. <p>Cèdres development in Chavannes-près-Renens:</p> <ul style="list-style-type: none"> – First building occupied in spring 2023. – Four additional properties purchased. – Close to public transport and the city, green surroundings, social facilities such as communal garden, solar panels for own use, heat pumps, e-charging stations. 	<ul style="list-style-type: none"> – Defined interim 2030 target for CO₂ emissions reduction path: 5.6 kg CO₂/m² ERA (Scope 1). – Redesigned site surrounding the property in Lyss to promote biodiversity (e.g. brush and stone piles for small animals and insects).

1 Our approaches and objectives

We have received positive feedback on our first report from many readers who appreciate the transparency it creates. Throughout 2023 our first concern was, as always, the interests of our active members and pension recipients. We expect that going forward, our customers will want to know more about the environmental, social and business impact of their investments with PUBLICA. This is why we created the Sustainability Asset Management Exchange group within PUBLICA Asset Management last year to embed the topic more deeply. Comprising members drawn from various teams, it dealt in depth with the UN Sustainable Development Goals and their 169 targets. We prioritised four of the UN Goals and, for the first time, measured the contributions made to them by the companies in PUBLICA's portfolio. More information about this, and the complexity of the task, can be found in [section 2](#) of this report.

1.1 Responsible investment at PUBLICA

Governance

Our governing bodies examine the issue of responsible investment in depth. The Board of Directors is PUBLICA's supreme management body. It lays down the principles and objectives of the Responsible Investment Policy. In this task, it is advised by the Investment Committee, which is also responsible for ensuring that the various responsible investment approaches are implemented in the individual asset classes. In 2023, the Board of Directors agreed on the prioritisation of the UN Sustainable Development Goals for PUBLICA's portfolio. The Investment Committee explicitly dealt with the responsible investment approaches in all of its six ordinary meetings.

Strategy

We invest responsibly by taking account of environmental, social and governance (ESG) criteria when investing our active members' pension assets. This allows us to improve the risk/return ratio over the long term.

Responsible investment is part of our fiduciary duty of due diligence and is embedded in our investment guidelines. The attention we pay to ESG criteria influences the security and profitability of our investments. The law does not permit us to deliberately forgo a market return. PUBLICA adopts different approaches for each asset class, in order to take ESG issues into account when investing pension assets. These approaches are described in more detail in our [Responsible Investment Policy](#).

Overview: the approaches we apply for each asset class

Asset class	Proportion of overall portfolio ¹	Exercising shareholder rights		Integrating into the securities portfolio			Integrating into direct real estate investments	
		Engage-ment ²	Exercising voting rights	Negative criteria	Strategic risk analysis	Positive criteria	Newbuild projects	Refurbishment projects
CHF bonds, government bonds	30%	●		●	●			
Corporate bonds and equities	37%	●	●	●	●	●		
Real estate Switzerland	9%	●					●	●
Private market investments	21%			●	●	●		
Precious metals	3%							

¹ As per 2022 strategic asset allocation for the open pension plans.

² Dialogue is currently being conducted with companies in the asset classes concerned.

Risk management

Topic	Actions
Adaptation to climate change	<p>In 2023, we began implementing the bespoke ESG benchmarks for the emerging market government bonds, taking account of factors including transition and physical climate risks.</p> <p>We defined a CO₂ reduction path for real estate in Switzerland as far back as 2020, with a target of halving CO₂ emissions (Scope 1) by 2035. We have now set an interim target for 2030 of 5.6 kg CO₂/m² ERA (Scope 1).</p>
Biodiversity	<p>In 2023, we began building a knowledge base on biodiversity. Climate change exacerbates the loss of biological diversity, in turn further accelerating climate change as carbon sinks (carbon reservoirs) are destroyed and carbon is released into the atmosphere.</p> <p>PUBLICA's first step is to address the issue through the existing engagement approach. SVVK-ASIR, of which PUBLICA is a member, has been a supporter of Nature Action 100 since September 2023. This collaborative engagement initiative seeks dialogue with 100 companies in sectors that are heavily dependent on ecosystem services or have a substantial impact on biodiversity loss.</p> <p>Measuring biodiversity loss is highly complex, locally limited, and multi-dimensional. That makes it more difficult to quantify the financial risks for PUBLICA's portfolio. Our next step will be to review the available measurement approaches.</p>

Focal points and objectives

PUBLICA aims to continually improve its responsible investment strategy. We pay particular attention to the following aspects, because they can influence the portfolio's risk/return profile:



Environmental: climate risks and achieving net-zero emissions by 2050 at the latest



Social: respect for human and workers' rights on the part of companies



Governance: clearly formulated expectations on the composition of the board of directors and on compensation

The quantitative climate goals are:

Objectives by asset class

	Objective	Proportion of overall portfolio ¹	Status
Overall portfolio	Net-zero emissions by 2050 at the latest	100%	Being implemented
Equities Switzerland	<ol style="list-style-type: none"> 1. Reduce transition risks by 30% compared with the benchmark 2. Increase transition opportunities by 30% compared with the benchmark 3. Reduce physical risks by 30% compared with the benchmark 	6%	Achieved
Equities developed and emerging markets	<ol style="list-style-type: none"> 1. Reduce transition risks by 50% compared with the benchmark 2. Increase transition opportunities by 50% compared with the benchmark 3. Reduce physical risks by 50% compared with the benchmark 	26%	Achieved
Corporate bonds US and Europe	Reduce CO ₂ intensity by at least 40% compared with the benchmark	5%	Achieved
Real estate Switzerland	Reduce CO ₂ emissions (Scope 1) to 5.6 kg CO ₂ /m ² ERA by 2030 and 4.2 kg CO ₂ /m ² ERA by 2035	9%	Implementation by 2030/2035

¹ As per 2022 strategic asset allocation for the open pension plans.

Achievement status

For the [bespoke climate-efficient equity index](#) we have three metrics: transition risks, transition opportunities, and physical risks and opportunities. Every six months, we check whether the three metrics are 30%–50% better than in the benchmark: this was the case in 2023.

As regards corporate bonds, we have agreed with the external asset managers a minimum 40% reduction in CO₂ intensity compared with the existing benchmark. We achieved this in 2023.

In Swiss real estate, a number of fossil-fuel heating systems are due for replacement in the medium term. We are working to replace them with fossil-free alternatives. Additionally, newbuild projects will lead to a further reduction in CO₂ emissions, as these properties are heated using renewables. The forecasts indicate that it will be possible to achieve the CO₂ target by 2035.

We have not yet set any quantitative targets for equities CHF, government bonds, private market investments or precious metals.

Memberships

Memberships of recognised organisations and initiatives make it easier for us to access expert knowledge about responsible investment, help us conduct our dialogue with companies, and promote exchange with other institutional investors.

We are members of:

- [ASIP – Swiss Pension Funds Association](#)
- [Climate Action 100+](#) (PUBLICA is a supporter)
- [IIGCC – Institutional Investors Group on Climate Change](#)
- [Inrate Responsible Shareholder Group](#)
- [SVVK-ASIR – Swiss Association for Responsible Investments](#)
- [UN PRI – Principles for Responsible Investment](#)
- [Exemplary Energy and Climate](#)

We have also signed the Montréal Carbon Pledge.

Through our membership of SVVK-ASIR we additionally support the following initiatives:

- [Council on Ethics – big tech and human rights investor collaboration](#)
- [FAIRR – Farm Animal Investment Risk & Return](#)
- [Nature Action 100](#)
- [UN PRI Advance](#)

1.2 Key figures: overview as at 31 December 2023

Exercise of voting rights

	Switzer- land	in %	International	in %	Transparency rate	Source
Companies at which votes were cast and proportion of invested capital in % (equities)	120	100%	318	32%	100%	Inrate / Minerva Analytics
Proportion of agenda items on which votes were cast		100%		100%	100%	Inrate / Minerva Analytics
No. of agenda items	2,980		5,670			
of which votes in favour	2,418	81%	4,275	75%	100%	Inrate / Minerva Analytics
of which votes against	561	19%	1,084	19%	100%	
of which abstentions	1	0%	311	6%	100%	
No. of agenda items on climate issues	6		74			
of which votes in favour	4	66%	55	74%	100%	Inrate / Minerva Analytics
of which votes against	1	17%	7	10%	100%	
of which abstentions	1	17%	12	16%	100%	

Dialogue

Memberships of engagement initiatives	Inrate Responsible Shareholder Group, SVVK-ASIR and Climate Action 100+
Is a credible stewardship strategy to mitigate climate change applied?	Yes
Link to climate stewardship strategy and report	SVVK-ASIR website

	Number ¹	in %	Transparency rate	Source
Companies with which the dialogue is conducted and proportion of invested capital in % (equities)	371	32%	100%	Inrate / SVVK-ASIR / Climate Action 100+
Companies that are subject to an active climate engagement strategy and proportion of invested capital in % (equities)	199	23%	100%	Inrate / SVVK-ASIR / Climate Action 100+

¹ Excluding double counting of companies with which Inrate, SVVK-ASIR and Climate Action 100+ are conducting the dialogue.

Notes on the key figures for the exercise of voting rights and dialogue

The key figures are explained in more detail under “dialogue” and “exercise of voting rights” in [section 3.2](#) Corporate bonds and equities.

Key figures on climate²

Government bonds (22% of the portfolio)	Units	Portfolio	Benchmark³	Transparency rate⁴	Source rate
Weighted average CO ₂ intensity (domestic emissions)	Tonnes of CO ₂ E emissions per CHF million GDP	142	207	100%	Beyond Ratings

Corporate bonds (5% of the portfolio)	Units	Portfolio	Benchmark	Transparency rate	Source rate
CO ₂ footprint (Scopes 1 + 2)	Tonnes of CO ₂ E emissions per CHF million invested capital	47	67	86%	MSCI
CO ₂ footprint (Scope 3)	Tonnes of CO ₂ E emissions per CHF million revenues	394	417	86%	MSCI
Weighted average CO ₂ intensity (Scopes 1 + 2)	Tonnes of CO ₂ E emissions per CHF million revenues	180	167	96%	MSCI
Weighted average CO ₂ intensity (Scope 3)	in %	805	788	96%	MSCI
Exposure to coal	in %	2.4%	2.1%	96%	MSCI
Exposure to other fossil fuels	in %	13.6%	11.7%	96%	MSCI
Proportion of portfolio companies with verified net-zero targets and credible interim targets	in %	14.5%	16.1%	96%	MSCI
Global warming potential (1.5°C scenario)	in degrees Celsius	2.1	2.3	86%	MSCI

Equities (32% of the portfolio)	Units	Portfolio	Benchmark	Transparency rate	Source rate
CO ₂ footprint (Scopes 1 + 2)	Tonnes of CO ₂ E emissions per CHF million invested capital	37	70	100%	MSCI
CO ₂ footprint (Scope 3)	Tonnes of CO ₂ E emissions per CHF million revenues	307	437	99%	MSCI
Weighted average CO ₂ intensity (Scopes 1 + 2)	Tonnes of CO ₂ E emissions per CHF million revenues	89	159	100%	MSCI
Weighted average CO ₂ intensity (Scope 3)	in %	742	913	99%	MSCI
Exposure to coal	in %	0.8%	1.5%	100%	MSCI
Exposure to other fossil fuels	in %	4.0%	8.7%	100%	MSCI
Proportion of portfolio companies with verified net-zero targets and credible interim targets	in %	19.0%	14.7%	100%	MSCI
Global warming potential (1.5°C scenario)	in degrees Celsius	2.2	2.5	99%	MSCI

² The climate figures for equities and corporate bonds are no longer comparable with those for previous years, because PUBLICA has switched to a new data provider. The climate figures for real estate are calculated by REIDA using its methodology.

³ Benchmark for government bonds = 82% FTSE World Government Bond Index + 18% FTSE Emerging Markets Government Bond Index; benchmark for equities = MSCI All Country World Investable Market Index; benchmark for corporate bonds = 50% Barclays EUR Corporate + 50% Barclays USD Corporate Intermediate; benchmark for real estate = REIDA benchmark.

⁴ The transparency rate relates to the portfolio in each case.

Real estate (9% of the portfolio)	Units	Portfolio ⁵	Benchmark	Transparency rate	Source
CO ₂ intensity (Scope 1 climate-adjusted)	kg CO ₂ /m ² ERA/year	8.9	–	100%	REIDA
CO ₂ intensity (Scope 2 climate-adjusted)	kg CO ₂ /m ² ERA/year	2.4	–	100%	REIDA
CO ₂ intensity (Scopes 1 + 2 climate-adjusted)	kg CO ₂ /m ² ERA/year	11.3	13.5	100%	REIDA
Energy intensity	kWh/m ² ERA/year	84.9	97.6	100%	REIDA
Energy source mix – proportion of fossil fuels	in %	69%	–	100%	REIDA
Energy source mix – proportion of renewables	in %	28%	–	100%	REIDA
Energy source mix – proportion of other sources	in %	3%	–	100%	REIDA

Transparency rate for asset classes⁶ = 68%

⁵ The figures for the real estate portfolio are always reported with a one-year delay. This is because not all ancillary cost statements for the reporting year were available at the time of going to press.

⁶ No data are available for money market investments (3%), bonds CHF (5%), private market investments (21%) or precious metals (3%).

Notes on the key figures for climate

Government bonds: The government bond portfolio has outperformed the benchmark, thanks mainly to the high weighting of Swiss government bonds in the developed markets portfolio and the introduction of the bespoke ESG benchmarks for emerging market government bonds.

Equities: The equities portfolio outperformed the benchmark, thanks largely to the systematic incorporation of climate-related opportunities and risks into our [bespoke climate-efficient equity index](#).

Corporate bonds: In some cases, the corporate bond portfolio underperformed relative to the benchmark. One instance of this is CO₂ intensity. Our asset managers are reducing the CO₂ intensity compared with the benchmark, against which their performance is also measured. The benchmark has a much lower weighting of the financial sector, which on average has a lower CO₂ intensity.

Real estate: The real estate portfolio outperformed the benchmark. PUBLICA holds a young, high-quality portfolio of properties.

2 UN Sustainable Development Goals measured for first time

The UN has defined 17 Sustainable Development Goals. They are a plan for making a globally sustainable society a reality and are a global standard to which governments and companies can adhere. Not all the UN Sustainable Development Goals and their 169 targets are relevant to PUBLICA's portfolio. PUBLICA therefore prioritised four of the 17 Goals in 2023:

Goal 7: Affordable and clean energy

Goal 13: Climate action

Goal 8: Decent work and economic growth

Goal 16: Peace, justice and strong institutions



More information on the UN Sustainable Development Goals:

[United Nations Sustainable Development Goals](#)

In order to be prioritised, a goal must meet three criteria:

1. The goal must be quantitatively or qualitatively measurable.
2. The goal should be in line with PUBLICA's Responsible Investment Policy and the Federal Council's 2030 Sustainable Development Strategy.
3. The goal should be financially relevant to PUBLICA's portfolio and cover as many of the asset classes and countries in which PUBLICA is invested as possible.

The four goals that have been prioritised are the ones that best meet these criteria.

For measurements in line with the four goals, we work with Net Purpose, a firm that collates and reviews companies' sustainability data and supplies them to us, while ensuring that the data can be assigned to the relevant UN targets. To do this, Net Purpose also draws on internationally recognised frameworks such as the Global Reporting Initiative (GRI), the IRIS+ database maintained by the Global Impact Investing Network (GIIN), and the EU's Sustainable Finance Disclosure Regulation (SFDR).

The comments that follow concern the first survey, covering the year 2023, and the performance of the equities and corporate bonds in PUBLICA's portfolio. The figures in the "results" column relate to the share of the company that PUBLICA holds. Example: PUBLICA is invested in a large number of companies, some of which disclose how many tonnes of CO₂ they have emitted in their sustainability reports. We hold a small proportion of these companies' shares and bonds. This means that, for example, 447,000 tonnes of CO₂ emissions (Scopes 1 and 2) can be attributed to us. The results do not in themselves constitute an assessment by us: they merely indicate the companies' contributions to the UN Sustainable Development Goals.

Goal 7 – Affordable and clean energy

According to the International Energy Agency (IEA), 11,000 gigawatts of new renewable energy capacity need to be made available by 2030, an increase of 15% per year. Sustainability data are always provided to us with a one-year time lag. In 2022, the companies in PUBLICA's portfolio installed a total of 428 MW in renewable energy capacity. The companies divide this up between capacity installed for their own business activities, and capacity made available via their products.

Figures measured	Results	Change in % year on year	Change needed to achieve the goal	Number of reporting companies
Installed renewable energy capacity in the company's operations	174 MW	+12.1%	+15%	398
Installed renewable energy capacity in the company's products	254 MW	+5.9%	+15%	137

Goal 13 – Climate action

According to the IEA, CO₂ emissions need to be cut by at least 24 gigatonnes by 2030 in order to limit global warming to 1.5°C, an annual reduction of 7%. The companies in PUBLICA's portfolio reduced their CO₂ emissions by 4% in 2022. They achieved this in many ways: some (such as TotalEnergies and Power Asset Holdings) actually emitted less greenhouse gases; others (e.g. LafargeHolcim, Petroleo Brasileiro and BP) sold off CO₂-intensive lines of business; still others (including Iberdrola) did not have their CO₂-intensive facilities in operation during the year.

Figure measured	Results	Change in % year on year	Change needed to achieve the goal	Number of reporting companies
Greenhouse gas emissions (Scopes 1 + 2)	447,000 tonnes	-4.3%	-7%	2,938

Goal 8 – Decent work and economic growth

To achieve the goal of financial inclusion, an additional 1.7 billion people need to gain access to financial services by 2030 (source: Findex), an increase of 5% per year. The companies in PUBLICA's portfolio secured access to financial services for 15,000 people in 2022.

Figure measured	Results	Change in % year on year	Change needed to achieve the goal	Number of reporting companies
People with first-time access to financial services	15,000	-2.6%	+5%	105

Goal 16 – Peace, justice and strong institutions

Goal 16 requires the promotion of the rule of law, both nationally and internationally. It calls for significant reductions in illicit financial and arms flows, corruption and bribery, along with the development of effective, accountable and transparent institutions that make their decisions in a responsive, inclusive, participatory and representative manner at all levels.

At PUBLICA, we address these issues in a number of ways:

- We invest in government bonds from a range of countries. The country universe is defined on the basis of the assessments by [Freedom House](#) and the [V-Dem](#) (Varieties of Democracy) Institute.
- PUBLICA does not finance companies that are involved in manufacturing, storing or distributing controversial weapons.
- Where companies are systematically and demonstrably in breach of Swiss laws and international conventions, PUBLICA engages in dialogue via SVVK-ASIR. If the company does not improve its conduct, PUBLICA excludes it from the portfolio.

The results of the first survey demonstrate how complex it is to measure the contribution made by the companies in PUBLICA's portfolio to achieving the UN Sustainable Development Goals. The tables also reveal that by no means all companies are yet gathering and reporting the necessary data. Efforts are under way around the world to regulate the disclosure of sustainability data. We therefore expect the number of reporting companies to rise in future. Needless to say, not every UN Sustainable Development Goal and metric is relevant to every company.

We will repeat the measurement in the next few years in order to better understand the trend in results. This will enable us to refine our approach to measuring in line with the UN Goals we have prioritised.

3 What we have achieved in the asset classes

3.1 CHF bonds, government bonds

In emerging market government bonds, we began implementing the new bespoke ESG benchmarks at the end of 2023. Their aim is to improve the risk/return profile of the government bond portfolios. The country universe is defined in collaboration with FTSE Russell, and the ESG criteria for weighting those countries implemented in the index in a rules-based manner, with the potentially investable countries being selected on the basis of the assessment by [Freedom House](#) and the [V-Dem Institute](#). The countries in the resulting universe are then overweighted or underweighted based on ESG criteria. The following criteria are taken into account:

- Environmental: energy, climate, resources (including biodiversity),
- Social: inequality, employment levels, human capital and innovations, health, social wellbeing,
- Governance: corruption, effectiveness and quality of government, political stability and absence of violence, rule of law, co-determination and accountability.

The sanctions list issued by the State Secretariat for Economic Affairs SECO forms the basis for excluding individual countries. The sanctions against countries policy and the current country exclusion list can be found on the [SVVK-ASIR website](#).

3.2 Corporate bonds and equities

Dialogue

In 2023, we continued our dialogues with companies via our specialised partners. SVVK-ASIR is conducting dialogue with 110 firms that commit systematic and serious breaches of the normative basis. In nine cases, the objectives defined jointly with the companies concerned were achieved last year. We report on the following example:

In May 2020, Rio Tinto, one of the world's largest mining companies, destroyed what is believed to be the oldest continually inhabited human settlement, a cave system over 46,000 years old in Juukan Gorge, Western Australia, on land belonging to aboriginal people. The dialogue focused on compensating the local population and repairing the relationship with them, along with a culture shift to embed their concerns throughout the company's operations and prevent mistakes being made in future. In 2023, a historic agreement was reached with the local community providing for the return and – to the extent possible – reconstruction of the destroyed cultural heritage. With regard to changing the corporate culture, addressing the issues raised by the Juukan Gorge case was made a condition for payment of a bonus to the CEO of Rio Tinto. New guidelines, responsibilities and programmes were also introduced, to train managers in "cultural intelligence". You can read more about the additional measures implemented by Rio Tinto in the separate report on the [SVVK-ASIR website](#).

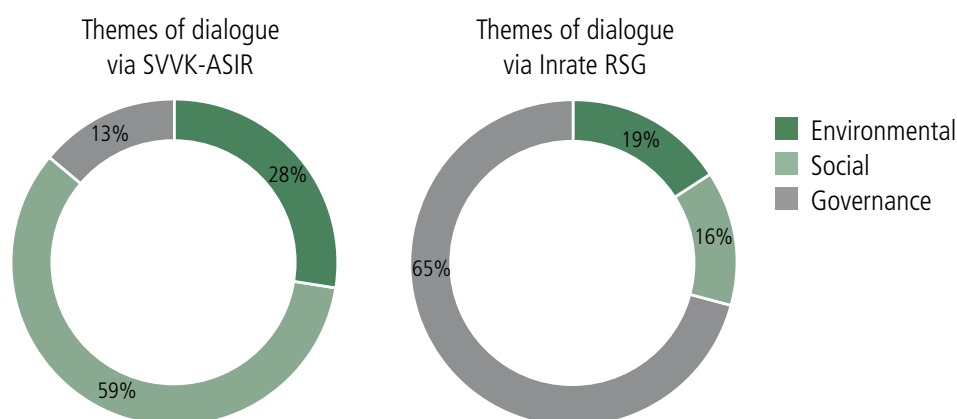
In the case of three companies (Bolloré SE, The Chemours Co. and China Energy Engineering Corp. Ltd.), the dialogue was unsuccessful. SVVK-ASIR has been recommending them for exclusion since 2023. PUBLICA is implementing the recommendations.

In addition to its normative engagements, SVVK-ASIR is conducting dialogues on the issues of climate (27 companies) and human rights (21 companies). Within these dialogues, we are able to address our focus areas in the fields of climate, human and labour rights with greater intensity. The climate engagement, involving 20 energy producers and suppliers as well as seven Swiss companies, was concluded at the end of 2023. We report on one of the Swiss companies:

In 2021, SVVK-ASIR decided to launch a two-year dialogue on climate issues with Sika. The construction chemicals manufacturer generates high CO₂ emissions by Swiss standards. Despite this, it was unable to present any robust climate goals. In the course of the dialogue, however, Sika consolidated its CO₂ measurement with regard to Scope 3 and drew up a comprehensive reduction plan. If Sika continues along the path it has embarked on and makes the necessary innovation, it can contribute to the climate transition in the vital construction sector and, in so doing, strengthen its own position. You can read more about the details of the dialogue on [our website](#).

In Switzerland, dialogue has been conducted with 105 companies via the Inrate Responsible Shareholder Group (Inrate RSG) on the following themes:

- Environmental: measurement of CO₂ emissions (Scope 3), sustainable products and biodiversity,
- Social: human rights and treatment of psychosocial risks,
- Governance: powers of the board of directors and ESG criteria in the remuneration system.



PUBLICA is also a supporter of the collaborative engagement initiative Climate Action 100+, which is engaging in dialogue with 170 CO₂-intensive companies. These companies continue to make progress in setting targets for reducing greenhouse gas emissions, disclosing decarbonisation strategies, and in climate governance. These are the results for 2023:

- 77% of the companies undertake to achieve net zero, at least in terms of Scope 1 and 2 CO₂ emissions (compared with 75% in 2022),
- 87% publish medium-term CO₂ reduction targets (compared with 81% in 2022),
- 93% exercise board-level supervision of key climate-relevant issues (compared with 91% in 2022),
- 59% disclose the decarbonisation measures they are taking in order to achieve their CO₂ reduction targets (compared with 52% in 2022).

The individual dialogue cases are described on the [Climate Action 100+ website](#).

The initiative entered its second phase in 2023. This will run until 2030 and concentrate on implementation of transition plans at the companies. The 2023 results also reveal that implementation of the reduction targets is still an ongoing process. For example, only 2% of companies have already halted – or committed to halting – their investments in facilities that have not reduced their carbon intensity.

Our partners' engagement policies can be found on their websites:

- [SVVK-ASIR](#)
- [Climate Action 100+](#)
- [Inrate Responsible Shareholder Group](#)

Exercise of voting rights

In 2023, the agenda items that PUBLICA voted against most in Switzerland related to the capital band (73%), remuneration report (47%) and appointment of the remuneration committee (47%). Abroad, the most votes against related to agenda items on remuneration (41%). Items relating to the capital band were rejected if the newly created band, with a duration of five years, was deemed too long. Those on the remuneration granted to members of the executive board and board of directors were rejected if the remuneration was felt to be too high or the systems were not transparent. This demonstrates that our clearly formulated expectations regarding compensation are implemented in our voting behaviour.

As regards agenda items on climate matters, in Switzerland, PUBLICA accepted four, rejected UBS's climate report, and abstained on Credit Suisse's sustainability report. In both latter cases, the reason was lack of progress in climate dialogue.

Abroad, there were substantially more agenda items on climate issues. We voted in favour of 55 out of a total of 74. Many of them called on companies to reduce their CO₂ emissions, set targets for doing so, or improve their reporting.

We rejected seven motions from shareholders:

- five seeking to prevent companies cutting their CO₂ emissions (Chevron, Duke Energy, Exxon Mobil, FirstEnergy and General Electric Company);
- one at Exxon Mobil requiring the company to define a medium-term CO₂ emissions target for Scope 3, which would probably have led to it selling off CO₂-intensive assets without any actual decarbonisation taking place;
- and one at PepsiCo. calling for employee travel to be aligned with its net-zero target. Here, the company's efforts to achieve net-zero emissions already include a number of companywide initiatives that also cover the use of business aircraft.

We abstained on 12 shareholder motions:

- ten calling for the cessation of certain CO₂-intensive business areas or activities, since the companies concerned have already incorporated those demands into their existing climate strategies (Citigroup, Equinor, Kansai Electric Power, Santos, Wells Fargo and Woodside Energy Group);
- and two on reporting how climate risks are factored into pension planning, where the pension fund sets its climate strategy independently of the company (Amazon and Comcast).

Detailed information on our exercise of voting rights at individual annual general meetings is published on [our website](#). The guidelines on the exercise of voting rights in Switzerland and abroad can be viewed on [Inrate's website](#).

Negative criteria

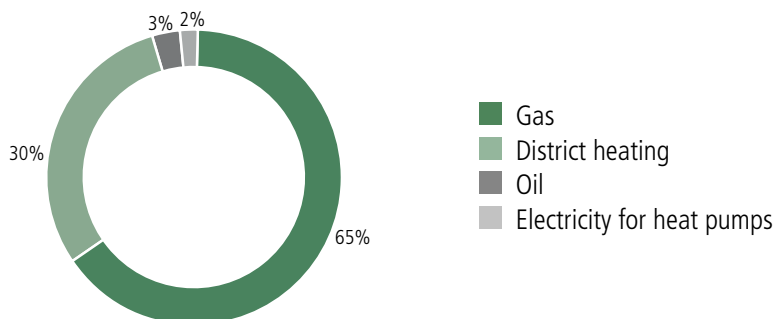
A total of 218 companies were excluded in 2023 (prior year: 115). The increase was due to the more extensive exclusion of coal producers. Since 2023, PUBLICA has excluded companies that appear on the [Global Coal Exit List](#) published by Urgewald, an independent thinktank based in Germany. An exception is made for companies with which PUBLICA is engaging in dialogue or that have a credible coal exit plan in place. SVVK-ASIR's exclusion list can be viewed on its [website](#).

3.3 Real estate Switzerland

In 2023, we set ourselves a new interim target for 2030 for our CO₂ emissions reduction path, which involves achieving a CO₂ value (Scope 1) across the entire property portfolio of 5.6 kg/m² by 2030. The target for 2035 is 4.2 kg/m². According to our internal energy monitoring, this value (Scope 1) stood at 8.6 kg/m² at the end of 2022, down from 9.3 kg/m² at the end of 2021. This is due to a 9% reduction in the number of heating degree days resulting from a warmer winter. The climate-adjusted CO₂ value is 8.8 kg/m², compared with 8.7 kg/m² the year before.

In the medium term, the plan is to replace heating systems that use fossil fuels in the existing properties. Newbuild projects in the portfolio will be heated using renewable energy sources, which will further reduce the CO₂ values. A breakdown of energy sources at the end of 2022 can be seen below.

Breakdown of energy sources (heating)



PUBLICA took part in the REIDA CO₂ Report and Benchmark 2023. In all, 22 investors with a total of 60 portfolios reflecting a market value of CHF 173.5 billion participated. PUBLICA's portfolio is 13% better for energy efficiency and has a 16% lower greenhouse gas intensity than the REIDA benchmark.

You can read more about our contribution to responsible investment in the newbuild project at Chavannes-près-Renens on our [website](#).

3.4 Private market investments

Dialogue with external asset managers

In 2023, we worked with our 17 asset managers to refine the rules designed to enhance ESG transparency. PUBLICA mandates five asset managers for three asset classes: international corporate debt, infrastructure debt, and real estate mortgages. We also invest in 12 international real estate funds. This year's evaluation of the transparency requirements for asset and fund managers reveals an encouraging picture:

- 16 of the 17 asset managers have signed up to the United Nations Principles for Responsible Investment (UN PRI), and 13 out of 17 have set themselves the goal of achieving net zero by 2050 at the latest.
- All 12 real estate fund managers are members of the Global Real Estate Sustainability Benchmark (GRESB) and demonstrate good to very good results.

Fund	2023		2022	
	Stars	Score	Stars	Score
AEW EUROCORE Fund	5	88	4	84
AXA CoRE Europe Fund	5	88	4	84
Dexus Shopping Center Fund	5	88	5	88
Dexus Wholesale Property Fund	5	93	5	94
GPT Wholesale Office Fund	5	94	5	94
Hines Pan-European Core Fund	5	93	5	96
LaSalle Property Fund	4	83	3	79
M&G Asia Property Fund	5	91	5	90
Nuveen Real Estate Asia Pacific Cities Fund	4	83	4	81
PGIM Real Estate European Core Diversified Property Fund	4	87	3	75
PRISA LP	4	86	4	85
RREEF America REIT II	4	84	4	85

- Two real estate funds have already achieved net-zero emissions. Four real estate fund managers have set themselves a target of net zero by 2050, and three by 2040. Of these, six have set themselves interim targets within the years 2025–2040. We are currently in discussions with the three managers that do not yet have a net-zero target.

Fund	Net-zero target	Target year	Interim target
AEW EUROCORE Fund	Yes	2050	2030 / 2040
AXA CoRE Europe Fund	Yes	2050	2025
Dexus Shopping Center Fund	Yes	2040	2022
Dexus Wholesale Property Fund	Yes	2022	–
GPT Wholesale Office Fund	Yes	2020	–
Hines Pan-European Core Fund	Yes	2040	2030
LaSalle Property Fund	Yes	2050	2030
M&G Asia Property Fund	Yes	2050	–
Nuveen Real Estate Asia Pacific Cities Fund	Yes	2040	2025
PGIM Real Estate European Core Diversified Property Fund	No	–	–
PRISA LP	No	–	–
RREEF America REIT II	No	–	–

- All five asset managers with mandates operate in accordance with the same rules on exclusions as PUBLICA already applies to equities and corporate bonds: exclusion of controversial weapons, coal, and companies where dialogue is unsuccessful. As regards the 12 real estate funds, PUBLICA has less influence on how the exclusion criteria are set.

Last year, we announced our intention to implement the rules progressively over the next two to three years. Our partners integrate environmental and social issues into their investment process and have signed up to initiatives. The biggest gaps are still in gathering the climate data that are important to us. Here, we are liaising closely with the asset and fund managers to improve reporting in future. As things stand, there is no reason to replace a partner due to lack of efforts in the area of ESG.

Positive criteria

PUBLICA provides CHF 330 million in funding for social facilities (affordable housing, schools, broadband and mobile infrastructure), and CHF 448 million for green facilities (renewable energy, electricity grid, energy efficiency solutions, environmentally friendly buildings and transport). When categorising social and green facilities, we work on the basis of the definition used by our external asset managers. We did not make any new investments in renewable energy in the infrastructure debt last year. Accordingly, the information on the energy generated has not changed. PUBLICA now also invests in infrastructure equities. You can read more about this on [our website](#). Because the new asset class is being built up progressively, we do not yet have any data for 2023.

PUBLICA's investments in private infrastructure debt

PUBLICA's share of total output in megawatts (MW)

	Units	2021	2022	2023
Photovoltaic installations	MW	23	30	30
Wind farms	MW	52	57	57
Hydroelectric plants	MW	14	18	18
Geothermal	MW	6	7	7
District heating	MW	–	42 ¹	42
Total renewables	MW	95	154	154
Market value of investments in renewables	CHF millions	206	212	198
Market value of the infrastructure debt portfolio	CHF millions	1,368	1,111 ¹	1,247

¹ In last year's report, we quoted a figure for the MW output of the district heating networks we finance that was too high. We have now corrected this from 132 MW to 42 MW. The reason for this is that we overestimated our share of the overall project. The market value of the infrastructure debt portfolio was understated: it was CHF 1,111 million rather than the CHF 1,086 million reported.

4 Summary

By beginning to implement the ESG benchmarks for emerging market government bonds, we have extended the responsible investment approach to a further key asset class in PUBLICA's portfolio. The bespoke ESG benchmarks are designed to allow us to improve the risk/return profile of the asset class. We will implement them in full at our asset managers in the first half of 2024.

By prioritising four UN Sustainable Development Goals and surveying progress towards them for the first time, we have reached a key milestone in measuring and communicating the positive and negative contributions of the companies in PUBLICA's portfolio. The results of the first survey published in this report confirm that this is not an entirely simple matter. We will repeat the survey in the next few years in order to better understand the trend in results and refine the measurement approach.

Our first biodiversity assessment has also shown just how complex and multifaceted this topic is. Our existing engagement approach for equities and corporate bonds, along with case-by-case consideration of the topic in our real estate in Switzerland, is a first step in this area. We will continue building our knowledge base in the year ahead.

We have also increased transparency when it comes to responsible investment. This report examines the results of the dialogues with companies and the exercise of voting rights on climate-related agenda items in greater detail. We have also highlighted where our asset and fund managers stand in terms of private market investments. Here, we continue to liaise closely with our partners. We have also added additional quantitative metrics in accordance with the ASIP ESG Reporting Standard in our overview of key figures.

We welcome your feedback on this report, which will help us to improve our reporting still further. Write to us at info@publica.ch.

Our partners' disclaimers

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Source: Net Purpose: Underlying company data is based on the latest published and public company information.

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